

97-84066-19

Mylius, Edward Frederick

The socialization of
money...2d ed.

[New York]

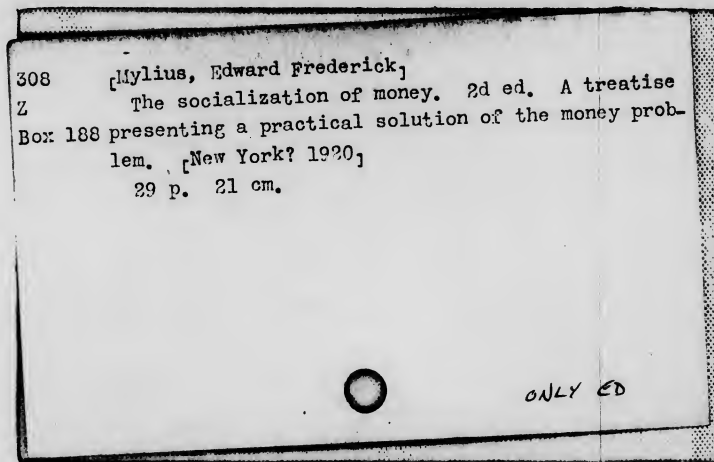
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**THE
SOCIALIZATION
OF
MONEY**

E. F. Mylius

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THE SOCIALIZATION
OF
MONEY

Second Edition

A TREATISE PRESENTING A PRACTICAL SOLUTION
OF THE MONEY PROBLEM.



Saturn grew weary of sitting alone or with none but the great Uranus beholding him, and he created an oyster. He wearied but went on creating the race of oysters and made nothing more. Then Uranus cried, "A new work, O Saturn! the old is not good again."

Saturn replied, "I fear. There is not only the alternative of making and not making, but also of unmaking. Seest thou the great sea, how it ebbs and flows? So it is with me; my power ebbs; and if I put forth my hands, I shall not do but undo. Therefore I do what I have done; I hold what I have got; and so I resist Night and Anarchy!"

'O Saturn,' replied Uranus, 'thou canst not hold thine own but by making more. Thy oysters are barnacles and cockles and with the next flowing of the tide, they will be pebbles and sea foam.'

"I see," rejoined Saturn, "thou art in league with Night and Anarchy, thou art become an evil eye; thou spakest from love; now thy words smite me with hatred. I appeal to Fate, must there not be rest?"

"I appeal to Fate also," said Uranus, "must there not be change?"

But Saturn was silent, and went on making oysters for a thousand years.

After that the world of Uranus came into his mind like a ray of the sun, and he made Jupiter. And then he feared again. And Nature froze, the things that were made went backward, and, to save the world, Jupiter slew his father Saturn.

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E. F. MYLIUS

PREFACE

THE exhaustion in a few months of a first edition of this brochure on Money, as the result of a series of advertisements in the Liberator magazine, has emboldened the writer to bring out a second and larger edition. Beyond a few slight alterations in the text, no revision has been made, for recent events have amply justified the charges herein contained as to the bankruptcy of our present-day monetary system, while the arguments against socialization have not affected the view that therein lies the only solution of the money problem.

While the general public takes little interest in such matters as currency, credit and banking beyond those which confront its own immediate well-being, there is no doubt that the despotic power wielded by the Money Trust through its control of Gold, upon which metal is at present based nearly all the paper money that has any commercial value, is beginning to attain some recognition from the radical element in the country. Unfortunately the difficulty of obtaining a wider hearing for the purpose of exposing the fraudulent gold standard seems well-nigh insurmountable. Time and again an honest man has arisen among the people to confront the Money Octopus, only to be silenced by ridicule or by the calculated opposition of Wall Street interests. Such men as Representative C. A. Lindburgh of Little Falls, Minnesota who in 1913 forced through Congress an investigation of the Money Trust and Mr. H. L. Loucks of Watertown, South Dakota, author of "The Great

Conspiracy of the House of Morgan" have done pioneer work in exposing the ways and methods of Big Business. Yet how many have heard of these men or of their work?

In the course of "deflation," a euphemism for withholding currency and thereby curtailing production, and a process which has been going on in the Allied world since the spring of 1920, Capitalism, in order to survive, has literally had to devour its own children. In Japan, where the gold standard has had as fair a trial as any, a financial panic suddenly occurred in the early summer of this year, crippling the principal industries and throwing millions of Japanese workers out of employment. In the United States and England, owing to the strength and the revolutionary undercurrents in the Labor movement, the Money Trust has been more circumspect and sought to bring "deflation" about by easy stages. The textile and automobile industries have been the first to suffer from the restrictions placed by bankers on commercial credit, with a consequent curtailment of industrial activity and growth of unemployment. Other industries are now (September, 1920) being brought under the same influences. There can be but one end to this development, as is well-known to those who are now bent upon forcing an industrial crisis to bring Labor "to its senses."

Meanwhile, continuous and extraordinary depreciations in the exchange value of the fiat currencies of Europe have developed alarmingly during the past year and in fact ever since the armistice with Germany was signed and the bankers' necessity for financing the world war was at an end. The Money Trust had achieved its purpose when the commercial power of the German Empire had been shattered. Paper money (without any gold or metallic backing) dishonestly issued during and since the war by the bourgeois governments of the world, has depreciated drastic-

ally, and to such an extent that the major part of it has now little value left, the depreciation amounting to about 95% in the case of the Austrian kronen, 90% in the German mark, 75% in the Italian lire, 65% in the French franc, and so on, with the outlook for eventual redemption well-nigh hopeless. That this gigantic fraud, so widespread and universal in its effects, has fundamentally affected the economic condition of Europe goes without saying, and must be patent to everyone, the only hopeful feature of the situation being that out of the chaos, despair and misery involved in war's aftermath, the producers of wealth are at last awakening to the fact that the rebuilding of the capitalist system is impossible and that the reconstruction of the industrial world must be accomplished by themselves alone, cut off from the tutelage of imperialists and international bankers and freed from the domination and direction of Big Business.

The economic revolution, with its political upheavals now taking place throughout the world, is undoubtedly a historic process, a phase of social evolution, beyond the power of the individual to make or mar, be he a Lenin or a Lloyd-George. And this process of change, like all organic changes, is necessarily a painful one. It claims its thousands of martyrs as well as its millions of victims. It gives no rest to its protagonists, for the grim tragedy of the world war is not easily forgotten nor one which the present generation ever want to see repeated.

To build soundly a structure which shall endure and give to peoples and states a greater freedom and ease in their economic adjustments is the task which now calls for the best efforts on the part of the world builders of the new society.

It must be apparent that the distribution of wealth cannot be effected without the medium of money, unless we

revert to the ancient practice of barter or adopt a purely Utopian state (both impractical propositions). This pamphlet is an attempt, however slight, to explain the true nature of money and to throw light upon the processes whereby those who own and control gold are able to "work their will upon communities and nations." It offers a solution for taking Money out of the hands of the privileged few and placing its issuance and sole control in the hands of the people through their duly accredited delegates.

Edward F. Mylius
New York City
September 1920

THE SOCIALIZATION OF MONEY

PART I.

THE PROBLEM OF EXCHANGE

POLITICAL ECONOMY, the science that deals with the production, exchange and distribution of wealth, has attracted, by reason of its importance, a host of earnest students from every rank and section of society. Drawn, by an ever-increasing interest, to discover the cause, or causes, of one of the most remarkable contradictions in modern wealth production, *i. e.*, an impoverished majority living in the midst of abundant wealth, these pioneers of social usefulness have, in their search for a solution of this problem, mainly concentrated their efforts upon the elucidation of those laws that govern production and distribution.

The second branch of the science of political economy, *viz.*, the exchange of commodities has, comparatively speaking, received a very small share of notice from present-day economists, with the result that the subject has been more or less left out in the cold, and seems to have become the topic of a narrow and select circle, chiefly composed of bankers, financiers and city journalists.

Nevertheless, none will deny that the question of an efficient medium whereby commodities may be exchanged, is not quite as important as the production and distribution of those commodities. That commodities may be only ex-

changed by the medium of one particular commodity alone, or by means of paper which is supposed to represent that commodity, must seem even to the unsophisticated observer a crude device; a system worthy only of a bygone age or the custom of a mediæval state.

While the Bill of Exchange, apparently first used by Roman bankers, and in our own time the Promissory Note and the Check, have produced enormous improvements upon the purely metallic exchange medium in force in earlier ages, yet as these forms of paper money remain attached to the metal they are supposed to represent, the present currencies of the world are most imperfect, and dangerously insecure; as will be shown. Indeed the inadequacy of metallic currencies to properly serve the function of money, or as the medium by which commodities are exchanged, has been demonstrated repeatedly and so disastrously since the inauguration of our industrial era, that the indifference exhibited by present day statesmen and economists to this evil is one of the anomalies of this revolutionary age.

The histories of the numerous paper-money currencies that have been issued as the representatives of gold and silver have been more or less similar, in nearly all cases. Of this paper money, society has been familiar with two distinct kinds; the inconvertible bank note or "fiat" money; and the convertible bank note, the former having, as the result of the world war, generally superseded the latter.

Bankers at first issued their notes in profusion, causing a rapid increase in the quantity of currency in circulation. The increase in currency facilitated the exchange of commodities. It also stimulated production and fostered commercial activity. Its necessary effect was to enhance values all around. Trade expanded and the prosperity which ensued undoubtedly would have been maintained had not gold hoarding taken place, followed by a drain on the currency

commodity or specie in the custody of the banks; resulting in nearly all cases in panic and crisis; causing commercial ruin and followed by a period of stagnant trade, unemployment, want and general social unrest. It is important to note that the superficial cause of such a disaster rested on the fact that the paper issued represented a greater quantity of the currency commodity than was in existence.

When the paper issued is inconvertible, as is now the case in nearly all countries in Europe following the war, such issues always tend to depreciate and in numerous instances have done so drastically, causing all the coin and metal to be hoarded or otherwise driven out of circulation; dislocating trade and finally producing a commercial crisis.

This depreciation in the face value of an inconvertible paper currency is now recognized to be inevitable, owing to the increase that takes place in the price of the commodity that it is supposed to represent.

The severe lessons taught by issues of inconvertible paper money, if they have done nothing else, have been sufficient at all events to warn legislators and bankers against the repetition of such experiments. Nevertheless the necessity of financing the world war has caused, as we have seen, the belligerent nations to apparently throw all caution to the winds, and Europe is now flooded with unwieldy inconvertible issues. Before the war, however, the great trading communities only issued notes payable in gold or silver on demand, still necessitating the most constant vigilance on the part of the issuers to retain a sufficient quantity of the commodity to meet sudden demands; causing their issues to be restricted approximately to the amount of metal obtainable and obliging them to maintain such a rate of discount as would ensure favorable foreign exchanges.

These various issues of paper money, whether convertible

or inconvertible, leave the commerce of the world in the grip of a power from which it vainly endeavors to free itself. Periodically, the foundations of trade are shaken by the visitation of a money panic and financial crisis which ruin in a few weeks merchants, manufacturers and tradesmen, besides throwing millions of working people out of employment; the disaster spreading like a blight over the whole of the industrial world. The elaborate edifice of commercial credit which has been laboriously erected upon the insecure foundation of a commodity which is but too easily monopolized, topples and falls, burying beneath its debris the unfortunate who have trusted in its apparent stability and strength. No record has, or ever will be made, of the ruin, starvation, misery and death that follows closely on the heels of such a collapse in credits and for which the maladjustment existing in our exchange medium is closely responsible.

II.

BANKRUPTCY OF COMMODITY MONEY

THE injurious power exercised by any commodity, such as gold or silver, when utilized as an exchange medium, cannot be more lucidly explained than it has been by the French thinker and economist, Pierre J. Proudhon, who in the beginning of the last century, wrote as follows:

"The quantity of gold and silver not being proportioned to the amount of products to be represented and put into circulation, while at the same time the circulation cannot be performed without them; it follows that whoever can obtain control of the specie of the world can rule the markets with despotic hand, and may work his will upon communities and nations; and also that such a monopoly of the circulating medium can be effected with an ease infinitely greater than

a monopoly of any other article of general use; and thus specie money, from being a convenient medium of circulation, has become the tyrant of both the production and consumption of the world."

That our exchange medium is hopelessly at fault, there can scarcely be two opinions. In what other way can we account for the fact that an increase in the trade of the world is followed by a "dearness" or scarcity of money which is virtually a tax on the trading community and is beneficial to only a select few—bankers and speculators? Further, is it not true that every money panic during the last century as well as the panic of 1907, occurred when trade was at the point of its highest activity, prices rising, wages on the increase, and labor in expending demand? As the collapse of credits at such a time of crisis is tantamount to a withdrawal of currency from circulation, it is evident that the medium of exchange is of a monopolistic nature, as well as a great and growing menace to the security of the community.

The nature of the currency is dual. It is called upon to exercise two directly opposing functions; one that of a commodity, the other of a circulating medium.

Now it may be said that specie-money is used very little in exchange and that most of our payments are made in paper; by means of checks, bills and notes. This is true, but the banking institutions that conduct this business know that they are trading upon the confidence of their customers, for should the depositors in the various banks decide to withdraw their deposits in coin, as they have a perfect right to do, every bank in the country would be forced to suspend payment. Even the Post Office Savings Banks would experience an enormous difficulty in paying its depositors at such a time. The whole commerce of the country would be brought to a standstill and the majority of the

people thrown out of employment. Such a danger is not out of the question by any means and is greater now than it has been ever before, owing to the vast number of exchanges effected by paper, and the colossal sum that must represent the total deposits in the banks. The amount of metal and coin that exists in the world to represent the credits and paper currencies that are built upon it is so small that trade is in about as stable a position as a house built upon the sands.

III.

UTILITY OF PAPER MONEY

IN so far as commodity currencies are concerned, civilization, by a process of evolution, selected gold and silver. More recently the substitution of paper money for gold, admittedly an improvement, has nevertheless been regarded by some economists as jeopardising the security of commerce. No less an authority that Adam Smith asserts:

"The commerce and industry of the country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Daedalian wings of paper money, as when they travel about upon the solid ground of gold and silver. Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this paper money, they are liable to several others, from which no prudence or skill of those conductors can guard them." (Wealth of Nations I. p. 304.)

Undoubtedly the commerce of a country would be secure if no paper money existed at all, but the social utility of a paper medium is so great that it is quite impossible to dispense with it now, no matter how serious may those periodical disasters be, following it its wake. The history of

paper money proves that it has been, in spite of its drawbacks, one of the most useful of all the expedients to which human ingenuity, in improving the relations of society, has ever given birth. Many nations and communities have risen to great power by its use, and it is certain that without its aid it would have been impossible for those nations to have carried on their immense dealings, for the facilities paper money affords in the circulation and exchange of every commodity are beyond calculation. As the main foundation of trade is credit, so the necessary effect of paper money is to encourage the extension of commercial credit and the more widely the circulation of paper is extended the more the transactions of trade will be increased and the productive industry and wealth of the world augmented.

PART IV.

WHAT MONEY IS AND WHAT MONEY DOES

MONEY is a medium. It is the representative of economic value and the form whereby products are exchanged between individuals and communities. When money ceases to express values it ceases to be money. All the cloudy treatises that have been written upon the subject of money have from the first been based upon the egregious fallacy that money should, in addition to its representation of value, itself possess a value. And as nothing possesses economic value excepting commodities, the result has been that some particular commodity has been chosen as money. Yet money in use has always represented values and by such representation acted as a medium.

The possessor of any form of economic wealth should readily be able to transform such wealth into money in order to facilitate any exchange that it may be necessary to

carry out. Upon its accessibility to the community and its capability of performing this function of exchange depend the whole of the utility of money. If a merchant fails to obtain money for the purpose of exchanging his merchandise; if he experiences any difficulty in discounting his bills or raising a loan upon security; if his credit be curtailed at inconvenient times; a brake is immediately inserted on the wheel of trade, for which the banking and monetary system of his country must be held responsible. When trade is dull and money comparatively "cheap," a merchant may experience little difficulty in obtaining currency, but in times of money stringency, bankers are very chary of parting with their currency, as they have to protect themselves against any possible demand for gold that may suddenly develop; and, partly to discourage such loans, partly to attract currency, they raise the rate of discount abnormally.

At the present time (1919) every currency in commercial countries is either a commodity, such as gold or silver, or the representative of a commodity, i. e., convertible and inconvertible paper money.

The question now arises: Is it necessary that money should be a commodity or the representative of a particular commodity?

As money is a medium, its utility consists in the exchange of commodities, and it is incapable of performing its work if it is limited to the representation of values less than the values it has to exchange. If in a given community there exist a hundred million dollars worth of goods which it is required to exchange and the currency medium available from every source only amounts to fifty million dollars, it follows that half the trading activity of such a community would be crippled, and that the holders of the currency, or the bankers, could extort a large sum from the traders for the use of money. This is a hypothetical case, nevertheless

in practice, as the result of an expansion in credits, a very similar stringency in the money markets of the world is constantly occurring. At such times there is an intense competition for money and its price is abnormally high, or, as the dealers say "Money is tight."

Value being a relation and money the representative of value, it follows that the additional representation of a commodity which money assumes at the present time, hinders it from performing its true function.

No doubt the ancient custom of barter, which persists in a certain form in society to-day, may account for the fact that civilized communities cannot entirely free themselves from the belief that money should possess a value in addition to its representation of value. The introduction of paper money, however, has assisted greatly in destroying this profound delusion and has suggested a remedy whereby society may take one step further on the road of evolution by introducing a system of exchange that shall harmonize with economic law.

PART V.

THE SO-CALLED "STANDARD OF VALUE"

ALTHOUGH the majority of economists have never questioned the necessity for what is known as a "standard of value," it is desirable to examine briefly in what circumstances its need arose and whether it has any utility at all.

The desire for what was presumed to be a standard of value arose with the difficulty as to what rate one commodity was to exchange with another. How much corn for how much beef; how much beef for butter, butter for bread and so on. It was assumed that if any one commodity could be chosen, its ratio of exchange with any other commodity could be definitely ascertained. Thus one pound of silver

would be equal to so much corn, so much beef, etc., and it was in terms of silver that the value of all other goods would be estimated.

This selection, it may be observed, of a particular commodity to act as a medium, not only supplied a common measure of value, but in addition, a common denominator of value. For example we do not calculate of a hat priced at five dollars that it is worth so many grains of silver, but take it to be worth five dollars silver. We thus use the medium of exchange in its denominational value, not in its exchange value. And the denomination is a symbol that now serves the utility that was formerly exercised by a dollar in silver bullion.

It was at the period when the so-called "standard of value" was adopted that confusion arose, owing to the metallic nature of the currency; for the constant fluctuations in values affected the metal itself, causing it to rise and fall outside of the price so arbitrarily fixed by authority. To give some instances of the wide fluctuations that may occur in the value of a precious metal, it may be mentioned that in England, during the Napoleonic wars, the price of gold in 1804-5 rose to four pounds sterling an ounce, in 1812 it was five pounds seven shillings, in 1813 it fluctuated between five pounds four shillings and five pounds ten shillings, and subsequently gradually declined until in 1816 it stood at three pounds eighteen shillings per ounce. These fluctuations in the price of this particular metal are not exceptional. According to Mr. Stanley Jevons, gold depreciated in value roughly 46% between 1789 and 1809, it appreciated about 145% between 1809 and 1849 and again depreciated about 20% between 1849 and 1874.

When the state undertook the coinage of the metal, it was necessarily obliged to adopt some "standard of value," but it was scarcely prepared for the extraordinary results

that followed. In those instances mentioned above when the price of gold appreciated so greatly, all the gold disappeared from circulation. A fall in the value of the metal below the standard price, produced on the other hand, the evil of a depreciated currency. Thus a metallic currency, it may be said, is always placed "twixt the devil and the deep sea."

The so-called "standard of value" is not an economic value. It is the effect rather than the cause of the money evil, and has been brought into being by reason of the metallic nature of the currency.

A commodity having been chosen as a medium of exchange, authority sought in vain for one that would be without fluctuation in value and would serve as a standard "invariable as a yardstick." This ideal, it is hardly necessary to prophesy, will never be realized.

One error has led to another. Not only is society now subjected to periodical commercial crises owing to the metallic basis of the currency, but that very currency itself is liable to depreciation in the event of a fall in its commodity value, or to disappear from circulation when such value appreciates.

In order therefore to dispose with the "standard of value" it will be necessary first to remove its cause; i. e., the commodity base upon which now rest paper money and the whole fabric of commercial credit.

The value denomination of money, however, will be retained. This denomination is merely symbolic of value, for it does not represent any "thing"—only a relation. But the standard of value will not be possible, practicable or necessary when money shall have been emancipated from its representation of a commodity. Then, and then only, money will not be measured by specie, nor bear any different relation to such specie than to other commodities.

PART VI.

HOW TO SOCIALIZE MONEY

THE issuance of the medium of exchange is properly a government function. For, however effectively individuals may associate together for the purpose of issuing money which shall be as genuine as possible, the result of such individual and associated efforts can never equal the results of State functioning.

The reason why government should be the sole issuer of money is that true money is, as we have already shown, solely a representative of value and that its sole and only function in society is to identify the ownership of value.

Bearing these principles in mind and for the purpose of furnishing the people with easy opportunities for exchanging any economic values they may possess, the people of a country should:

(1) Make banking a state monopoly and constitute itself the sole issuer of currency.

(2) Issue notes of various denominations (such denominations to be determined by national and local conditions) upon security and in the same manner as an ordinary bank to-day furnishes credit to its customers. These banks must discount bills, make advances upon commodities and recognized securities, etc., and furnish every facility to the people for obtaining the credit they may require.

(3) The notes of the State banks to bear the imprint "State Bank Note"—one dollar, or pound, shilling, ruble, mark or franc, or whatever denomination national conditions may determine. THESE NOTES WILL NOT REPRESENT ONE DOLLAR, POUND, SHILLING, RUBLE, MARK OR FRANK IN GOLD OR SILVER BUT ONLY IN VALUE. THESE NOTES REPRESENT VALUE BUT THEY POSSESS NONE, NEITHER ARE THEY ISSUED

IN LIEU OF ANY METAL OR COMMODITY. This principle will cut out of the medium of exchange any medium that possesses value in itself.

(4) The notes issued by the State banks shall be declared legal tender. A borrower may at any time redeem a loan in whole or in part. Notes issued by the bank can never at any time exceed the total value of the securities and commodities against which they have been issued. The banks therefore will always be solvent and such a condition as "Inflation" or "Over extension of credit" can never arise. (See part 4.)

(5) Members may leave the notes of the bank on deposit and draw against same by check, but no interest will be allowed.

(6) The State to establish banks in all commercial and industrial centres and in whatever cities and wherever the interests of the people may lie.

(7) As the State banks will be established by the government for use and not for profit, their rate of discount must be fixed so as to approximately cover all expenses of administration. Should the banks still, in spite of a low discount rate, show a profit as the result of their operations, such profits will of course be considered as revenue, but the State banks should never be regarded as a means of obtaining revenue.

(8) Notes may be issued against gold and silver bullion, but these metals to remain in the same relation as other metals so far as the state banks are concerned.

(9) As long as the value of the commodities, property or securities against which advances may have been made is maintained, the State banks may not call in loans. In this respect they differ in the most vital and essential degree from the banks of to-day which periodically, and in a great many instances, arbitrarily, contract credit and refuse loans ow-

ing to the fear of "inflation" arising from the commodity basis of the currency.

(10) Silver and copper coins may at first be used in paying small sums, but they may not be legal tender above a small trifling amount. Neither can the State bank notes represent such coins although a certain number of coins may be considered the equivalent of a state bank note, in the same way as any other commodity.

The foregoing conditions are fundamental and the main principles upon which the issuance of the new money, which we may call "Socialized money," will be based. The notes will at first only circulate among those who understand the significance of the new currency, until such time as the State has replaced existing media of exchange with socialized money. As customers are attracted by the facilities which the State banks will afford, the circulation will grow in volume and branches will be established in provinces, colonies and foreign countries, thus gradually substituting by effective and easy methods the present currencies, as well as providing a firm and secure foundation for the industrial credit of the future.

PART VII.

SOCIALIZED MONEY

WHAT IT IS AND WHAT IT IS NOT

THERE appears to be no recorded instance when paper money of the nature outlined in the previous chapter has ever been issued, if we except the abortive attempt made by P. J. Proudhon in Paris during the first half of the nineteenth century. When this famous radical and economist had formed the necessary organization for the issuance of his Mutual Paper Money, he was arrested by order of the

government and subsequently imprisoned for some trivial political offence. Under the circumstances Proudhon had no alternative but to liquidate the whole affair, and thus an innovation, fraught with momentous possibilities, was stifled at its birth. Despite the interference he experienced in his plan, it is unlikely that anything would have come of his scheme, as he was hampered by his adhesion to the doctrine of individual anarchism which prejudiced him against the use of the State for the functioning of his "mutual money."

Socialized money differs in an important degree in its nature from any other kind of money. It is the representative of value and not of a particular commodity. In circulation, it is the medium into which the value of a product or of many products has entered. Out of circulation, when the bank note has returned to the bank, it ceases to represent or possess value. For it is then no longer the medium which embodied the value of a product, that value having returned to the commodity from whence it came.

The socialized bank note is not a promissory note. It differs from the modern bank note in that it is not an order "to bearer" to be paid gold or silver on demand. The gold or silver note receives its circulating power from the fact that the members of the community in which it circulates believe in the stability of the issuing bank and do not usually reassure themselves as to the validity of the note by exchanging it at such bank for the coins it is supposed to represent. Again, the modern note is the medium into which the value or the supposed value of only one commodity has entered, the total value of which commodity must be immeasurably less than the total value of those commodities it is called upon to exchange. In addition, the modern bank note is at the mercy of the wealthy owners of gold; of millionaires; of speculators; of financiers. By withdrawing the precious

metals from their banks, these powerful cliques can contract the circulating power of the bank note, they can affect its value and vitiate its utility.

The ordinary bank note, as the representative of a metal, has to be withdrawn from circulation at any time the issuing bank loses its hold on the metal and usually at a time when currency is most needed. The new note, on the contrary, is not tied to any metal; it can and always will circulate because it represents value. Solely a medium of exchange it is not a substitute for gold, neither is it liable to depreciation.

The possibility of depreciation or of appreciation of socialized money is removed by the very nature of this new currency. To-day depreciation is possible because paper money is issued in lieu of a certain commodity, which commodity is regarded as the real money, the paper being in the nature of a substitute or temporary expedient. But if we remove the commodity function of the modern bank note, we remove at the same time the basis for depreciation or for fluctuation of any kind. Furthermore, the socialized note is not the equivalent of a certain quantity of silver or gold (the prices of which metals are governed by the natural law of supply and demand), its sole function being to operate as an exchange medium, thereby designating ownership of value.

Socialized money differs from that paper money with which economists are familiar and which called forth those cautionary remarks from Adam Smith, referred to in an earlier chapter. For that paper money was attached to gold and silver; it evolved from those metals, and the soil from which it sprang was and is in the possession of a powerful few who have not failed to reap a harvest from their monopoly at the expense and the ruin of many.

The socialized bank note severs all such connections. It

does not emanate from the narrow veins of gold and silver, but from the broad and far-spreading fields of economic wealth. To the dealers in money it will appear as something sinister and unwelcome, for it is destined to drive them from that temple they have usurped and called their own.

PART VIII.

SOME OF THE PROBABLE ECONOMIC EFFECTS OF SOCIALIZED MONEY

ECONOMISTS agree that an increase in the quantity of the credit-supply in any society, in whatever shape supplied, always tends to an increase in the number of exchanges and a rise in the prices of commodities. While admitting this, it is recognized that the payment of increased prices for commodities draws an unusual proportion of the currency or money of the community into the markets for those commodities. In the various communities of the world, the legal restrictions placed upon the issuance of money, however, necessarily limits the quantity available for this purpose—limits necessitated not by the quantity of goods to be exchanged but by the amount of metal back of the issued notes. As soon, therefore, as the existing money has become absorbed and credit extended as far, and usually further than the modern banking and currency system safely permits; a recoil takes place, commercial crisis ensues accompanied by financial panic, and commodities fall in price and to so low a level that they will in a great many instances sink below the cost of production; causing those capitalists who survive the crisis as well as the great trusts and combines, to close down factories, mines, etc., and to lower their costs by reducing wages. The latter method inevitably entails labor strikes, producing social unrest and even revolution. One result then, it is evident, of the insufficiency of

currency and the contraction of credit, is a lessened production.

Now it is the method of orthodox economists to attribute periodical disasters of this nature, not to any defect in the medium of exchange, but to over-production of commodities; to over-trading; to intense speculation; to the public mania for gambling; to unreasoning panic; to sun-spots; to anything but that cause which stands out boldly against the commercial horizon, i. e., the currency. For had there been sufficient money to go around, to represent the enhanced value of commodities and to meet the demand as the result of the increase in the number of exchanges, it would not have been possible for such a disaster to have taken place. At the time of crisis, those firms who stopped payment and whose failure involved so many other firms which had trusted them, thus causing the panic, were ruined solely because the credit they had usually obtained from the banks was suddenly withdrawn.

The banks are compelled to withdraw this credit because the rise in prices and increasing trade activity, deplete their reserves of commodity money, and they are aware that further demands will soon be made upon the coin and metal in their possession.

Clearly therefore at such times there exists an insufficiency of currency. If the currency could only expand in the same ratio as the values of commodities, a money panic with its attendant evils would never overtake an active trade period.

Now, if socialized money be issued upon those fundamental conditions outlined in a previous chapter, such money will always be available and at the disposal of the producing community. For when the number of exchanges increases, the increased amount of socialized money in circulation will not affect the issuing banks because the supply can always be made to meet the demand. Thus it will hap-

pen that when this socialized money shall have superseded the currencies of the present day, the industrial world will no longer be subject to those waves of depression that periodically sweep over it now. The first nation that assimilates socialized money into its exchange system must, in relation to its natural resources, forge ahead of every other nation in trade, wealth and power; yet it will be to the advantage of that nation when other nations adopt the same system.

If socialized money did nothing more than produce an increase in the price of commodities, it would be a useless expedient, for it is hardly necessary to point out that an all-round proportionate increase in prices only results in no one being better paid for his goods, or services, than before. What socialized money will do, is to facilitate exchanges by the expansion of credit and thus stimulate every producer to his utmost exertion in addition to bringing all the resources of the nation into complete employment. An increase in prices due to activity in trade and not to manipulation or to tariffs, will produce an increase in production. This increase in prices (which has often occurred in the past owing to the expansion of credit) would be maintained if there existed an expansive and efficient currency.

The vast majority of people who only live upon what they earn by their labor, suffer great hardships and linger in silent misery through many a weary period as a result of these world-wide declines in trading activity. As a smaller production means a lessened labor demand, it follows that a certain proportion of the people must periodically become unemployed and outcasts, while the acute competition for work tends to force wages down far below actual subsistence level. Such a world-wide impoverishment of the masses re-acts upon many trades by causing a decrease in

demand, and thus every one in the community ultimately suffers.

Any sustained increase in production then must tend to:—

- (1) Higher wages.
- (2) A diminution in the number of unemployed.
- (3) Increased demand.

Yet it may still be urged that all these factors involved in an expanding commerce, i. e., increased demand, high wages, etc., will only terminate in a glut of commodities; or state of "over-production" as the economists term a sudden stoppage in the wheel of trade. But it is an error to describe that period when there exist more products that the public can pay for as necessarily constituting a state of "over-production." If the factories are glutted with goods and the great majority of people in need, yet unable to obtain those goods owing to lack of purchasing power, such a state of affairs does not constitute over-production. It has been more fittingly described as "under-consumption." Certain it is that a community in need, with its markets glutted with goods, yet unable to obtain them by purchase, is no more living in a state of over-production of commodities than a man employed on heavy manual labor, yet finding the work beyond his strength, is necessarily overworked.

Those who recognize that it is commodities that pay for commodities and that all sellers are in the end buyers, will acknowledge that an increase in the productive power of a country necessitates a similar increase in its purchasing power, and that if everyone produces more, there will be more to offer in exchange.

Such a state of trade as this, usually described by capitalists as "booming" trade, although it has been experienced many times during the industrial era, has never been sustained for long, owing to the Nemesis that has always overtaken it in the form of a panic and commercial crisis. At

these periods, there always exists an excess of commodities over and above the money supply, therefore it would be more true to describe a period of so-called "over-production" as one of under supply of money, the immediate cause of such a state being a contraction of credit and the remedy obviously lying in an increase in the money supply.

In this connection it is well to point out that, were the production and distribution of products equitably adjusted and the workers controlled the full product of their labor, there would be nothing harmful or detrimental to a community in a state of "over-production." Only under the present system of economic production and distribution when the laborer is dependent upon private interests for his livelihood, can "over-production" be regarded as a calamity. And it must be admitted that even if socialized money were introduced into society without a corresponding socialization of the means of production and distribution the workers would still be at the mercy of those who controlled production, such as profiteers and the "one hundred per cent" patriots. However, the sudden stoppages in trade and the scooping in of little capitalists by big ones, characteristic of the present system, would be altogether eliminated.

Commercial crises, therefore, with all their attendant evils; bad trade, unemployment, social unrest, pauperism and that general feeling of insecurity and despair engendered by want, are the products of an under supply of money, consequent upon the commodity bases of the various currencies of the world. It is the claim of the author that socialized money will supply an effective remedy for this evil of under supply, as it is a true medium of exchange; the representative of economic value, elastic, expansive and moreover a currency destined to permanently free the commerce of the world from the tyrannical sway of specie-money.

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